INNOVATION SASKATCHEWAN

FINANCIAL STATEMENTS

For the Year Ended March 31, 2013

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Innovation Saskatchewan, which comprise the statement of financial position as at March 31, 2013, and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Innovation Saskatchewan as at March 31, 2013, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
July 24, 2013

Bonnie Lysyk, MBA, CA
Provincial Auditor

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Statement 1

Innovation Saskatchewan
Statement of Financial Position
March 31, 2013

	(thousands of dollars) 2013	2012
Financial Assets		
Due from General Revenue Fund (Note 3)	$ 5,305	$ 7,387
Accounts Receivable	15	28
	5,320	7,415
Liabilities		
Accounts Payable and Accrued Liabilities	635	4,574
Net Financial Assets (Statement 3)	4,685	2,841
Non-financial Assets		
Prepaid Expenses	1	1
Accumulated Surplus (Statement 2)	$ 4,686	$ 2,842

Designated Assets (Note 9)

(See accompanying notes to financial statements)

Statement 2

Innovation Saskatchewan
Statement of Operations and Accumulated Surplus
for the Year Ended March 31, 2013

		(thousands of dollars)	
	Budget (Note 4)	***2013*** **Actual**	***2012*** **Actual**
Revenue			
Grants from the General Revenue Fund	$ 6,769	$ 6,769	$ 3,467
Other		80	105
	6,769	6,849	3,572
Expenses (Note 7)			
Administration	1,987	2,043	1,348
Program Grants			
Nuclear Strategy	3,300	2,008	7,000
SAIF (Note 9)	1,000	700	700
Other	482	254	480
	6,769	5,005	9,528
Annual Surplus (Deficit)	$ -	1,844	(5,956)
Accumulated Surplus, Beginning of Year		**2,842**	**8,798**
Accumulated Surplus, End of Year (Statement 1)		$ 4,686	$ 2,842

(See accompanying notes to financial statements)

Statement 3

Innovation Saskatchewan
Statement of Change in Net Financial Assets
for the Year Ended March 31, 2013

	(thousands of dollars) 2013	2012
Annual Surplus (Deficit)	$ 1,844	$ (5,956)
Increase in Prepaid Expenses	-	(1)
Increase in Financial Assets	1,844	(5,957)
Net Financial Assets, Beginning of Year	2,841	8,798
Net Financial Assets, End of Year (Statement 1)	$ 4,685	$ 2,841

(See accompanying notes to financial statements)

Statement 4

Innovation Saskatchewan
Statement of Cash Flows
for the Year Ended March 31, 2013

	(thousands of dollars)	
Cash Provided by Operating Activities	**2013**	**2012**
Cash Receipts from General Revenue Fund	$ 6,854	$ 3,550
Cash Receipts from Other Operating Activity	8	-
Cash Paid to Suppliers and Employees	(8,944)	(5,250)
(Decrease) in Due From General Revenue Fund	(2,082)	(1,700)
Due from General Revenue Fund, Beginning of Year	7,387	9,087
Due from General Revenue Fund, End of Year	$ 5,305	$ 7,387

(See accompanying notes to financial statements)

Innovation Saskatchewan
Notes to the Financial Statements
for the Year ended March 31, 2013

1. Status of Innovation Saskatchewan

Innovation Saskatchewan was established under the provisions of *The Innovation Saskatchewan Act*.

Innovation Saskatchewan is the central agency of the Government of Saskatchewan with responsibility for implementing Saskatchewan's innovation priorities. Innovation Saskatchewan coordinates the strategic direction of the government's research and development and science and technology expenditures; provides advice on science and technology policy; coordinates the establishment and maintenance of science, research and development infrastructure; and provides advice and recommendations on research, development, demonstration, and the commercialization of new technologies and innovative processes in Saskatchewan. Innovation Saskatchewan is a corporate body eligible to receive monies primarily appropriated by the legislature for these purposes.

2. Significant Accounting Policies

These financial statements are prepared using Canadian generally accepted accounting principles appropriate for the public sector and reflect the following significant accounting principles:

a) Revenue

Revenue is recognized in the period in which the transactions or events occurred that give rise to the revenue. Grants from the General Revenue Fund are unrestricted in nature and are recognized as they are received or receivable.

b) Expenses

Expenses represent the cost of resources consumed during the year for operations and grants made to third-party organizations. Grants are recognized as expenses in the period during which the transfer is authorized and eligibility criteria are met.

c) Non-financial Assets

Non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge existing liabilities unless they are sold.

d) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses

during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the Statement of Operations and Accumulated Surplus in the period in which they become known.

e) Adoption of New Accounting Standards

The Public Sector Accounting Board (PSAB) issued four new accounting standards effective April 1, 2012. PS 1201, Financial Statement Presentation; PS 2601, Foreign Currency Translation; PS 3410, Government Transfers; and PS 3450, Financial Instruments. Innovation Saskatchewan's adoption of these new standards had no impact on Innovation Saskatchewan's financial statements other than minor changes to the financial statement presentation and disclosure.

3. Due from the General Revenue Fund

Innovation Saskatchewan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. Interest is paid on a quarterly basis at the government's 30-day average interest rate. The average rate for 2012-13 was 1.09% (2011-12 was 1.05%). Interest earned during the year was $71,543 (2011-12 – $105,000).

4. Budget Approval

The 2012-13 budget was reviewed and approved by the Innovation Saskatchewan Board on July 23, 2012.

5. Related Parties

These financial statements include routine transactions with related parties. Innovation Saskatchewan is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, Innovation Saskatchewan is related to non-Crown corporations and enterprises that the Government jointly controls or significantly influences.

Related party transactions to March 31, 2013 include the following:

(thousands of dollars)

Expense	2012-13	2011-12
Ministry of Central Services	$ 15	$ 6
University of Saskatchewan	34	31
Sasktel	8	13
Saskatoon Regional Health Authority	-	4,000
Canadian Centre for Nuclear Innovation - Grant	2,000	3,000
Crown Investments Corporation of Saskatchewan	14	-
Innovation Place	123	-
Accounts Receivable	15	27
Accounts Payable	53	4,002

(thousands of dollars)

Contractual Obligations	Leases	Programming
2013-14	$ 173	$ 5,000
2014-15	18	4,000
2015-16		4,000
2016-17		4,000
2017-18		4,000
Total	$ 191	$21,000

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. In addition, Innovation Saskatchewan pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases.

6. Financial Instruments

Innovation Saskatchewan's financial instruments include: Due from the General Revenue Fund, Accounts Receivable and Accounts Payable and Accrued Liabilities. The carrying amount of these

instruments approximates fair value due to their short-term nature. These instruments have no material interest or credit risk.

7. Expense by Object

(thousands of dollars)

Expenses	March 31, 2013	March 31, 2012
Goods and Services	$ 536	$ 359
Grants and Transfers	2,962	8,269
Pension and Benefits	203	107
Salaries and Benefits	1,173	705
Travel	131	88
	$ 5,005	$ 9,528

8. Contractual Obligations

Innovation Saskatchewan has a non-related party programming and operational obligations in future years.

(thousands of dollars)

	Programming	Operational
2013-14	$ 1,992	$ 274
2014-15	2,500	54
2015-16	1,000	54
	$ 5,492	$ 382

9. Designated Assets

Innovation Saskatchewan is holding $3,872,000 as designated assets to be spent as follows:

(thousands of dollars)

Designated Assets	March 31, 2013	March 31, 2012
Nuclear Strategy Program	$ 2,792	$ 1,500
SAIF	1,080	300
	$ 3,872	$ 1,800

Innovation Saskatchewan maintains an internal fund called the Saskatchewan Advantage Innovation Fund (SAIF) for the purposes of providing support for innovation activities in areas such as research and development, demonstration, commercialization and education consistent with the IS mandate. Decisions on projects funded by SAIF are based on a rigorous project evaluation criteria used to vet all projects and are recommended to the IS Board of Directors for approval.

Due to delays in planning and negotiations, Innovation Saskatchewan also has retained funds for its Nuclear Strategy Program for purposes of supporting the construction of the Saskatchewan Centre for Innovation in Cyclotron Science (SCI-CS) cyclotron facility and associated nuclear substances laboratory, and for joint research projects undertaken under the auspices of the Memorandums of Understanding with Hitachi, Ltd.